

RECEIVED
NOV 01 2013
CONTINUING CARE
CONTRACTS BRANCH

CALIFORNIA-NEVADA METHODIST HOMES

ANNUAL REPORT

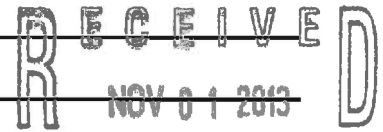
**FISCAL YEAR ENDED
JUNE 30, 2013**

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

06 / 30 / 13

PROVIDER(S): California Nevada Methodist Homes, Inc.



CCRC(S): Forest Hill, Lake Park

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Robert Leeper

TELEPHONE NO.: (510) 893-8989

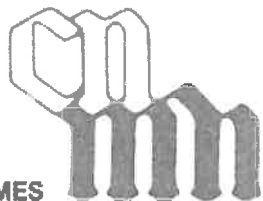
EMAIL: bobleeper@cnmh.org

A complete annual report must consist of 3 copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 15,141.00
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☒ Certification by the provider's **Chief Executive Officer** that:
 - ☒ The reports are correct to the best of his/her knowledge.
 - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☒ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- ☐ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

**CALIFORNIA-NEVADA
METHODIST HOMES**



201 - 19th Street, Suite 100 • Oakland, CA 94612-4117 • (510) 893-8989 • Fax: (510) 893-3041

RECEIVED
NOV 01 2013

**CONTINUING CARE
CONTRACTS BRANCH**

October 31, 2013

Mr. John Rodriguez, Chief
Continuing Care Contracts
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Mr. Rodriguez,

Please accept the enclosed Annual Reports and amendments for Forest Hill and Lake Park for the fiscal year ending June 30, 2013.

California-Nevada Methodist Homes uses continuing care contract forms for new residents which have been approved by the California Department of Social Services (DSS). As of October 31, 2013, the Corporation maintains operating and debt service reserves in excess of the DSS requirements. To the best of my knowledge and belief, the information contained within these reports and amendments is true and correct.

Sincerely,

Robert E. Hubbard
President & CEO



284439

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

3/29/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Commercial Lines - 707-769-2900 Wells Fargo Insurance Services USA, Inc. - CA Lic#: 0D08408 1039 A N. McDowell Blvd Petaluma, CA 94954	CONTACT NAME: PHONE (A/C, No. Ext): E-MAIL ADDRESS: FAX (A/C, No):
INSURED California-Nevada Methodist Homes, Inc. 201 19th Street Oakland CA 94612	INSURER(S) AFFORDING COVERAGE INSURER A: Travelers Casualty & Surety Co. of America INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:
	NAIC # 31194

COVERAGES **CERTIFICATE NUMBER: 5865302** **REVISION NUMBER: See below**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB EXCESS LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under: DESCRIPTION OF OPERATIONS below						WC STATUTORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Crime & Fiduciary			105590982	04/01/2013	04/01/2014	\$500,000 Limit each \$10,000 Crime Ded

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Requirement as part of annual report to DSS
Evidence of Coverage

CERTIFICATE HOLDER

California Department of Social Services
744 P Street, MS 11-90
Sacramento, CA 95814

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

RECEIVED
NOV 01 2013
CONTINUING CARE
CONTRACTS BRANCH

CALIFORNIA-NEVADA METHODIST HOMES

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2013 AND JUNE 30, 2012



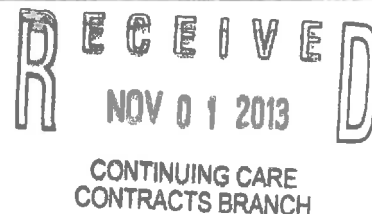
CALIFORNIA-NEVADA METHODIST HOMES

TABLE OF CONTENTS **JUNE 30, 2013 AND 2012**

Independent auditors' report	2 - 3
Statements of financial position	4 - 5
Statements of activities	6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 20
Supplemental Information:	
Statement of unrestricted revenue and expenses by division	22 - 25



Independent Auditors' Report



Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying financial statements of California-Nevada Methodist Homes (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2013 and June 30, 2012, and the related statements of activities, functional expenses and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California-Nevada Methodist Homes as of June 30, 2013 and June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, Statement of Unrestricted Revenue and Expenses by Division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Riva Accountancy Corporation

Certified Public Accountants

San Francisco, California
October 25, 2013

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2013

<u>ASSETS</u>	Unrestricted	Temporarily Restricted	Total
CURRENT:			
Cash and cash equivalents	\$ 1,229,377	\$ 59,899	\$ 1,289,276
Investments, at fair value	6,062,729	-	6,062,729
Accounts and notes receivable (pledged):			
Trade, net of \$21,360 allowance for uncollectible accounts	266,968	-	266,968
Other	43,334	-	43,334
Accrued interest	14,020	-	14,020
Prepaid expenses	357,975	-	357,975
Bond reserve funds	3,643,343	-	3,643,343
 TOTAL CURRENT ASSETS	 11,617,746	 59,899	 11,677,645
PROPERTY AND EQUIPMENT, at cost, net (encumbered)	52,145,087	-	52,145,087
OTHER:			
Charitable remainder trust, at present value	68,000	-	68,000
Bond issuance cost, net	1,429,488	-	1,429,488
	<u>\$ 65,260,321</u>	<u>\$ 59,899</u>	<u>\$ 65,320,220</u>
 <u>LIABILITIES</u>			
CURRENT:			
Line of credit	\$ 590,278	\$ -	\$ 590,278
Accounts payable - trade	743,735	-	743,735
Payroll payable	230,153	-	230,153
Bond payable	685,000	-	685,000
Accrued liabilities:			
Salaries and wages	354,926	-	354,926
Compensated absences	755,244	-	755,244
Accrued interest	760,750	-	760,750
Other	98,244	-	98,244
 TOTAL CURRENT LIABILITIES	 4,218,330	 -	 4,218,330
LONG-TERM:			
Accrued severance pay	126,119	-	126,119
Entrance deposits	24,000	-	24,000
Deferred revenue from entrance subscriptions	32,138,685	-	32,138,685
Deferred compensation	110,129	-	110,129
Bonds payable	30,031,375	-	30,031,375
Other	23,253	-	23,253
 TOTAL LIABILITIES	 66,671,891	 -	 66,671,891
NET ASSETS	(1,411,570)	59,899	(1,351,671)
	<u>\$ 65,260,321</u>	<u>\$ 59,899</u>	<u>\$ 65,320,220</u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2012

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT:			
Cash and cash equivalents	\$ 2,380,826	\$ 56,017	\$ 2,436,843
Investments, at fair value	3,515,550	-	3,515,550
Accounts and notes receivable (pledged):			
Trade, net of \$21,400 allowance for uncollectible accounts	628,651	-	628,651
Other	11,276	-	11,276
Accrued interest	10,551	-	10,551
Prepaid expenses	345,105	-	345,105
Bond reserve funds	3,635,686	-	3,635,686
TOTAL CURRENT ASSETS	10,527,645	56,017	10,583,662
PROPERTY AND EQUIPMENT, at cost, net (encumbered)	53,308,818	-	53,308,818
OTHER:			
Charitable remainder trust, at present value	85,442	-	85,442
Bond issuance cost, net	1,530,609	-	1,530,609
	<u>\$ 65,452,514</u>	<u>\$ 56,017</u>	<u>\$ 65,508,531</u>
 <u>LIABILITIES</u>			
CURRENT:			
Line of credit	\$ 1,006,945	\$ -	\$ 1,006,945
Accounts payable - trade	780,070	-	780,070
Payroll payable	141,481	-	141,481
Bond payable	650,000	-	650,000
Accrued liabilities:			
Salaries and wages	207,014	-	207,014
Compensated absences	789,450	-	789,450
Accrued interest	777,000	-	777,000
Other	87,182	-	87,182
Note payable	175,000	-	175,000
TOTAL CURRENT LIABILITIES	4,614,142	-	4,614,142
LONG-TERM:			
Accrued severance pay	8,967	-	8,967
Entrance deposits	70,000	-	70,000
Deferred revenue from entrance subscriptions	29,485,163	-	29,485,163
Deferred compensation	218,645	-	218,645
Bonds payable	30,747,714	-	30,747,714
Other	74,947	-	74,947
TOTAL LIABILITIES	65,219,578	-	65,219,578
NET ASSETS	<u>232,936</u>	<u>56,017</u>	<u>288,953</u>
	<u><u>\$ 65,452,514</u></u>	<u><u>\$ 56,017</u></u>	<u><u>\$ 65,508,531</u></u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Resident fees	\$ 11,141,142	\$ -	\$ 11,141,142	\$ 11,207,616	\$ -	\$ 11,207,616
Patient fees	3,353,689	-	3,353,689	3,193,701	-	3,193,701
Amortization of entrance subscriptions	3,061,549	-	3,061,549	2,151,797	-	2,151,797
Interest and dividend income	129,158	-	129,158	211,511	-	211,511
Rental income	34,004	-	34,004	37,399	-	37,399
Gifts, bequests and grants	51,910	13,372	65,282		287,383	287,383
Change in present value of charitable remainder trust	(2,000)	-	(2,000)	(2,558)	-	(2,558)
Unrealized gains (losses) on investments	(25,436)	-	(25,436)	(95,948)	-	(95,948)
Realized gains on sale of investments	65,012	-	65,012	23,678	-	23,678
Realized gains on sale of equipment	1,400	-	1,400	-	-	-
Realized loss on sale of note receivable	-	-	-	(277,325)	-	(277,325)
Miscellaneous	430,951	-	430,951	83,704	-	83,704
Net assets released from restrictions:						
Satisfaction of program restrictions	9,490	(9,490)	-	583,534	(583,534)	-
TOTAL REVENUE	18,250,869	3,882	18,254,751	17,117,109	(296,151)	16,820,958
EXPENSES:						
Program services:						
Forest Hill Manor	8,822,529	-	8,822,529	8,473,418	-	8,473,418
Lake Park Retirement Residence	10,046,831	-	10,046,831	9,881,344	-	9,881,344
Rental properties	33,577	-	33,577	37,362	-	37,362
Total program services	18,902,937	-	18,902,937	18,392,124	-	18,392,124
Supporting services:						
Management and general	974,438	-	974,438	878,789	-	878,789
Fundraising	18,000	-	18,000	19,727	-	19,727
TOTAL EXPENSES	19,895,375	-	19,895,375	19,290,640	-	19,290,640
INCREASE (DECREASE) IN NET ASSETS	(1,644,506)	3,882	(1,640,624)	(2,173,531)	(296,151)	(2,469,682)
NET ASSETS, beginning of year	232,936	56,017	288,953	2,406,467	352,168	2,758,635
NET ASSETS, end of year	\$ (1,411,570)	\$ 59,899	\$ (1,351,671)	\$ 232,936	\$ 56,017	\$ 288,953

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,113,494	\$ 1,415,198	\$ -	\$ 2,528,692	\$ -	\$ -	\$ 2,528,692
Food and food services	1,251,399	2,713,509	-	3,964,908	-	-	3,964,908
Administration	917,249	1,077,841	379	1,995,469	935,183	-	2,930,652
Marketing	579,435	577,773	-	1,157,208	519	-	1,157,727
Housekeeping	332,654	569,627	-	902,281	-	-	902,281
Utilities	304,786	549,535	7,041	861,362	11,146	-	872,508
Assisted living	298,588	826,780	-	1,125,368	-	-	1,125,368
Maintenance and operations	337,180	609,294	7,115	953,589	7,908	-	961,497
Medical care	497,838	207,894	-	705,732	-	-	705,732
Laundry	29,524	4,217	-	33,741	-	-	33,741
Activities	187,651	319,709	-	507,360	-	-	507,360
Social services	-	45,286	-	45,286	-	-	45,286
Fundraising	-	-	-	-	-	18,000	18,000
Property taxes and insurance	87,778	166,783	7,184	261,745	-	-	261,745
Total program expenses	5,937,576	9,083,446	21,719	15,042,741	954,756	18,000	16,015,497
Other expenses:							
Depreciation	1,386,781	801,390	11,894	2,200,065	21,743	-	2,221,808
Amortization of bond issuance costs	93,033	8,088	-	101,121	-	-	101,121
Interest	1,391,540	140,465	(36)	1,531,969	(2,061)	-	1,529,908
Bad debt	13,599	13,442	-	27,041	-	-	27,041
Total other expenses	2,884,953	963,385	11,858	3,860,196	19,682	-	3,879,878
Total expenses	\$ 8,822,529	\$ 10,046,831	\$ 33,577	\$ 18,902,937	\$ 974,438	\$ 18,000	\$ 19,895,375

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,117,859	\$ 1,487,235	\$ -	\$ 2,605,094	\$ -	\$ -	\$ 2,605,094
Food and food services	1,159,853	2,659,544	-	3,819,397	-	-	3,819,397
Administration	1,321,420	1,519,485	328	2,841,233	788,490	-	3,629,723
Housekeeping	320,550	562,168	-	882,718	-	-	882,718
Utilities	279,075	520,898	6,426	806,399	10,207	-	816,606
Assisted living	304,757	767,616	-	1,072,373	-	-	1,072,373
Maintenance and operations	281,537	588,149	11,700	881,386	8,921	-	890,307
Medical care	520,409	280,202	-	800,611	-	-	800,611
Laundry	30,519	2,543	-	33,062	-	-	33,062
Activities	152,771	303,472	-	456,243	-	-	456,243
Social services	-	33,950	-	33,950	-	-	33,950
Fundraising	-	-	-	-	-	19,727	19,727
Property taxes and insurance	83,992	175,436	7,237	266,665	-	-	266,665
Total program expenses	5,572,742	8,900,698	25,691	14,499,131	807,618	19,727	15,326,476
Other expenses:							
Depreciation	1,395,932	791,096	11,669	2,198,697	24,467	-	2,223,164
Amortization of bond issuance costs	99,838	8,681	-	108,519	-	-	108,519
Interest	1,404,906	130,250	2	1,535,158	46,704	-	1,581,862
Bad debt	-	50,619	-	50,619	-	-	50,619
Total other expenses	2,900,676	980,646	11,671	3,892,993	71,171	-	3,964,164
Total expenses	\$ 8,473,418	\$ 9,881,344	\$ 37,362	\$ 18,392,124	\$ 878,789	\$ 19,727	\$ 19,290,640

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2013	Year Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,640,624)	\$ (2,469,682)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,221,809	\$ 2,223,166
Amortization of bond issuance costs	101,121	108,520
Amortization of bond premium	(31,339)	(36,214)
Amortization of entrance subscriptions	(3,061,549)	(2,151,797)
Entrance subscriptions received	5,715,071	3,524,611
Realized gain on sale of investments	(65,012)	(23,678)
Realized gain on sale of property and equipment	(1,400)	-
Unrealized loss on investments	25,436	95,948
Change in present value of charitable remainder trust	2,000	2,558
Loss on sale of note receivable	-	277,326
Decrease (increase) in:		
Accounts and notes receivable - trade	57,308	(108,467)
Other receivables	272,317	(1,729)
Accrued interest receivable	(3,469)	2,738
Prepaid expenses	(12,870)	(83,215)
Charitable remainder trust	15,442	-
Increase (decrease) in:		
Accounts payable	(36,335)	(67,383)
Payroll payable	88,672	141,481
Accrued liabilities	173,976	(56,171)
Deferred compensation	(108,516)	(19,484)
Entrance deposits	(46,000)	(504,695)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,306,662	3,323,515
	3,666,038	853,833
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,056,681)	(712,967)
Proceeds from sale of investments	899,739	739,188
Decrease in bond reserve funds	(7,657)	174,549
Proceeds from sale of property and equipment	-	19,536
Proceeds from sale of notes receivable	-	1,574,014
Purchase of investments	(3,407,340)	(615,208)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,571,939)	1,179,112
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds (payments) on line of credit	(416,667)	56,945
Payments on long term debt	(825,000)	(925,000)
NET CASH USED BY FINANCING ACTIVITIES	(1,241,667)	(868,055)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,147,567)	1,164,890
CASH AND CASH EQUIVALENTS, beginning of year	2,436,843	1,271,953
CASH AND CASH EQUIVALENTS, end of year	\$ 1,289,276	\$ 2,436,843
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest, net of amount capitalized	\$ 158,960	\$ 185,499

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

California-Nevada Methodist Homes (the Corporation) is a non-profit charitable corporation with a primary mission of enhancing the well-being of seniors for the remaining years of their lives through the creation and ethical administration of residential and health care facilities in which the independence, dignity, traditional values and individual rights of each person are held in high regard.

Financial statement format:

The Corporation classifies its net assets and activities into one of three categories: unrestricted, temporarily restricted and permanently restricted. Descriptions of these categories are as follows:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support operations. A portion of these net assets may be designated by the Board of Trustees for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

Cash and cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Corporation provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. It is the corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments:

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Professional accounting standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the corporation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data, by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting over useful lives ranging from 5 to 50 years.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Amortization of deferred income - entrance subscriptions:

The Entrance Subscription and Continuing Care Agreements between the Corporation and the residents provide for the payment of an entrance subscription. Entrance subscriptions are used for general purposes, including support of operations, debt retirement and capital acquisitions. The subscriptions are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of refundable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee taken into income is reduced by the amount of the refund embodied in the contract.

Amortization of bond issuance cost:

Certain costs related to the bond issue have been capitalized and are being amortized using the straight line method over the life of the bond.

Amortization of bond premium:

The premium on issuance of the bonds is being amortized to interest expense over the life of the bonds.

Income taxes:

The Corporation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

The Corporation recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of June 30, 2013, the corporation has had no uncertain tax positions. The Corporation recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Income tax returns for the year prior to 2008 are no longer subject to examination by tax authorities. The Corporation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

New accounting pronouncements:

Accounting for refundable entrance fees:

In July 2012, the FASB amended ASC 954-430-25-1. The amendment modifies the accounting for refundable entrance fees. This revision retroactively changes the amount of amortization of entrance fees the organization should have recognized. This change is effective for fiscal periods beginning after December 13, 2013. Management is evaluating the impact of this pronouncement. The organization estimates the cumulative change to net assets will be approximately \$1.5 million through the year ended June 30, 2013.

Subsequent events:

Management has evaluated subsequent events through October 25, 2013, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade accounts receivable. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Trade accounts receivable are due from Medicare, Medi-Cal and private sources. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

Note 4. STATUTORY LIQUID ASSET RESERVE:

Effective January 1, 2005 the State of California Health and Safety Code Section 1792 requires the Corporation to hold reserves to cover its long-term debt service and seventy-five days of net operating expenses. The Corporation is not required to segregate these reserves, and the reserves may be held as cash, investments or letters of credit. The Corporations assets held by the Trustee can be used to satisfy this requirement. At June 30, 2013 and June 30, 2012, the Corporation had a required reserve of \$4,815,137 and \$4,712,495, respectively, which were held as cash, cash equivalents and investments.

Note 5. INVESTMENTS:

Investments are stated at fair value. Fair value and cost as of June 30, 2013 and June 30, 2012 are summarized as follows:

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Corporate equities	\$ 696,707	\$ 644,622	\$ 1,299,322	\$ 1,263,796
Debt securities	1,131,358	1,165,208	133,174	127,316
Certificate of deposits	<u>4,234,664</u>	<u>4,267,054</u>	<u>2,083,054</u>	<u>2,073,075</u>
	<u>\$ 6,062,729</u>	<u>\$ 6,076,884</u>	<u>\$ 3,515,550</u>	<u>\$ 3,464,187</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 6. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the organization's assets at fair value as of June 30, 2013 and June 30, 2012:

Assets at Fair Value as of June 30, 2013

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 696,707	\$ -	\$ -	\$ 696,707
Debt securities	1,131,358	-	-	1,131,358
Charitable remainder trust	-	-	68,000	68,000
Total assets at fair value	<u>\$ 1,828,065</u>	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 1,896,065</u>

Assets at Fair Value as of June 30, 2012

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 1,299,322	\$ -	\$ -	\$ 1,299,322
Debt securities	133,174	-	-	133,174
Charitable remainder trust	-	-	85,442	85,442
Total assets at fair value	<u>\$ 1,432,496</u>	<u>\$ -</u>	<u>\$ 85,442</u>	<u>\$ 1,517,938</u>

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended June 30, 2013 and June 30, 2012:

	June 30, 2013 Charitable Remainder Trust	June 30, 2012 Charitable Remainder Trust
Balance, beginning of year	\$ 85,442	\$ 88,000
Contributions	-	-
Unrealized gains/losses relating to instruments held at the reporting date	(2,000)	(2,558)
Purchases, sales, issuances, and settlements (net)	<u>(15,442)</u>	<u>-</u>
Balance, at end of year	<u>\$ 68,000</u>	<u>\$ 85,442</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 7. NOTES RECEIVABLE:

In conjunction with the sale of Pacific Grove Convalescent Hospital, the Corporation received a 7.00% note in the amount of \$2,000,000, amortized over 30 years, payable in 10 years. Monthly installments of \$13,306 began January 2006. The note was sold in March 2012 for \$1,574,014 at a loss of \$277,325.

Note 8. BOND RESERVE FUNDS:

The bond reserve funds are held by a trustee in the following accounts:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Revenue fund	\$ 761,028	\$ 777,948
Bond reserve	2,197,315	2,207,738
Principal	<u>685,000</u>	<u>650,000</u>
Total bond reserve funds	<u>\$ 3,643,343</u>	<u>\$ 3,635,686</u>

The trustee has invested the funds in governmental money market funds. These earnings will be accumulated and used to fund bond bi-annual interest payments. During the years ended June 30, 2013 and June 30, 2012 bond payments in the amount of \$650,000 and \$750,000, respectively were made from the principal fund.

Per Section 5.7(b) of Indenture, investment securities in the Bond Reserve Account are valued on July 1, 2013. As a result of valuation, the reserve amount was under the reserve requirement as of July 1, 2013. This shortage was deposited subsequent to year end.

\$2,200,895	Balance in the Bond Reserve Account
<u>2,207,500</u>	Reserve Requirement
\$ (6,605)	Shortage

Note 9. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 834,624	\$ 834,624
Land improvements	259,401	189,934
Buildings and improvements	75,003,227	74,298,084
Furniture and equipment	3,820,680	3,654,592
Construction in progress	<u>124,980</u>	<u>7,600</u>
Totals	80,042,912	78,984,834
Less accumulated depreciation	<u>27,897,825</u>	<u>25,676,016</u>
Property and equipment, net	<u>\$ 52,145,087</u>	<u>\$ 53,308,818</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 9. PROPERTY AND EQUIPMENT (Continued):

The balances of accumulated depreciation by category are as follows:

	June 30	
	2013	2012
Land improvements	\$ 161,308	\$ 152,415
Buildings and improvements	24,775,946	22,755,732
Furniture and equipment	<u>2,960,571</u>	<u>2,767,869</u>
Totals	<u>\$ 27,897,825</u>	<u>\$ 25,676,016</u>

Note 10. CHARITABLE TRUSTS:

The Corporation has been named as a beneficiary of charitable remainder trusts. During the year ended June 30, 2012, Trust A terminated and assets of \$15,442 were received subsequent to year end. The income beneficiaries of Trust B are entitled to a payment each year calculated at 13.6% of the fair market value of the trust assets as of the date of contribution. Trust B received \$20,000 during the year ended June 30, 2010 and an additional \$50,000 during year ended June 30, 2011. The income beneficiaries of Trust C are entitled to a payment each year calculated at 6% of the fair market value of the trust assets as of the first day of each taxable year of the trust. Trust C was received during the year ended June 30, 2011.

The Trusts are stated at the present value of the projected balance of the Trusts at termination, net of the amounts due to the income beneficiaries over the term of the Trusts. Changes in the calculated net present value are reported in the statement of activities annually.

The key assumptions used in net present value calculations for the Trusts are as follows:

	June 30, 2013	
	Trust B	Trust C
Present value	\$ 54,300	\$ 13,700
Trust assets at fair value	\$ 64,700	\$ 20,600
Projected term of the trusts based on actuarial tables	4.80 years	12.20 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.70 %	3.40 %

	June 30, 2012	
	Trust B	Trust C
Present value	\$ 58,000	\$ 12,000
Trust assets at fair value	\$ 70,500	\$ 19,500
Projected term of the trusts based on actuarial tables	5.20 years	13.70 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.70 %	3.40 %

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 11. LINE OF CREDIT:

The Corporation has available a \$1,250,000 line of credit with a bank, maturing November 30, 2014. The interest rate on the line is the bank's index rate plus 1% (currently 4.25%). The line had \$590,278 outstanding at June 30, 2013 and \$1,006,945 at June 30, 2012, respectively.

Note 12. NOTE PAYABLE:

The Corporation had a short term note payable. During the year ended June 30, 2013 the company paid principal of \$175,000 in full and interest of \$377.

Note 13. TAX EXEMPT BOND PAYABLE:

The construction of the new buildings at Forest Hill and a portion of the costs incurred in the expansion of the Lake Park skilled nursing unit were financed by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the "Bonds"), in the aggregate principal amount of \$42,280,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Union Bank of California serves as the trustee. The Bonds are secured by the property, accounts receivable and equipment of the Corporation. The Bonds have a final maturity date of 2036, but were subject to mandatory redemptions beginning in 2011. The Corporation is required to maintain a debt service fund equal to approximately one year's debt service with the trustee, which was met at June 30, 2013 and June 30, 2012. Under the Bond documents, the Corporation is required to deposit with the trustee, the first \$11,200,000 in entrance fees collected on the newly constructed independent living units at Forest Hill. These funds will be used to make bond payments as they become due. The Corporation is required to meet certain covenants. The Corporation met these covenants at June 30, 2013. The stated fixed interest rate of the Bonds is 5.0%. The bonds were issued at a premium of \$618,163 which is being amortized over the life of the bonds.

Bond maturity dates:

<u>Maturity Date</u>	<u>Amount</u>	<u>Type</u>
2013	\$ 685,000	Serial Bonds
2014	720,000	Serial Bonds
2015	755,000	Serial Bonds
2016	790,000	Serial Bonds
2026	10,455,000	Term Bonds
2036	<u>17,025,000</u>	Term Bonds
Total	<u>\$ 30,430,000</u>	

Note 14. DEFERRED REVENUE FROM ENTRANCE SUBSCRIPTIONS:

The Corporation has several different types of contracts. Type A entrance subscription agreements provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 1.5% of the original fee for each month of residency. A Type B entrance subscription agreement provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 2.08% of the original fee for each month of residency. For guaranteed refundable contracts the refund is never less than 90% of the original fee. At June 30, 2013 and June 30, 2012, unamortized entrance subscriptions (deferred revenue) were \$32,138,685 (2013) and \$29,485,163 (2012), of which \$20,667,092 (2013) and \$14,271,933 (2012) was subject to such refund provisions.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 15. SELECTIVE MANAGEMENT COMPENSATION PLAN:

The Corporation has agreements with certain of its key employees. The agreements are designed to provide benefits to be paid to these employees in installments upon retirement or in the event of their death, to a designated beneficiary. Accordingly, the Corporation has accrued deferred compensation of \$110,129 and \$218,645 at June 30, 2013 and June 30, 2012.

Note 16. FUTURE SERVICE OBLIGATION:

Professional accounting standards require the Corporation to record a liability recognizing an obligation to provide future services and the use of the facilities to all current residents if the net present value of future net cash out-flows, adjusted for certain noncash items, exceeds the present value of future net cash in-flows. At June 30, 2013 and June 30, 2012 the estimated future service obligation was \$0. The interest rate used to discount the liability was 5.5% in both 2013 and 2012.

Note 17. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2013 and June 30, 2012 are available for the following purposes:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Forest Hill:		
Service enhancement	\$ 11,329	\$ 1,046
Resident support	-	-
Facility undesignated	2,538	2,483
Capital improvement	<u>11,035</u>	<u>11,035</u>
Total Forest Hill	\$ 24,902	\$ 14,564
Lake Park:		
Service enhancement	26,410	25,028
Resident support	-	-
Facility undesignated	8,587	11,252
Capital improvements	<u>-</u>	<u>-</u>
Total Lake Park	34,997	36,280
Corporate office:		
Capital improvements	<u>-</u>	<u>5,173</u>
Total Corporate Office	<u>-</u>	<u>5,173</u>
Total temporarily restricted	<u>\$ 59,899</u>	<u>\$ 56,017</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 18. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	Year Ended June 30, 2013	Year Ended June 30, 2012
Capital improvements	\$ 5,173	\$ 438,341
Resident support	-	133,021
Scholarship	1,500	9,000
Other	<u>2,817</u>	<u>3,172</u>
Totals	<u>\$ 9,490</u>	<u>\$ 583,534</u>

Note 19. MULTI-EMPLOYER RETIREMENT PLAN:

The Company contributes to a multi-employer defined benefit union pension plan that covers all Lake Park employees under collective bargaining agreements. In accordance with the plans, the Company makes monthly contributions based on employee hours worked. For the years ended June 30, 2013 and June 30, 2012, the Company contributed to the union pensions in the amount of \$90,936 and \$79,840, respectively. Management is not able to determine whether or not there is any unfunded union pension liability at June 30, 2013 as information relating to the Plan's funded status each year is not available at the date the statements are available to issue. Balances will vary depending on market conditions. The Company has made all required payments during the year. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in its multi-employer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the annual period ended June 30, 2013, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and three digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available to 2012 is for the plan's year end at December 31, 2012. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plan is subject.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2013 AND JUNE 30, 2012

Note 19. MULTI-EMPLOYER RETIREMENT PLAN (Continued):

The Company's contributions do not represent more than 5 percent of total contributions to the Plan.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2012	FIP/RP Status Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
SEIU National Industry Pension Fund	52-6148540	Red/critical	Yes	No	7/31/2014

Note 20. INTEREST EXPENSE:

Interest expense consists of the following:

	Year Ended June 30, 2013	Year Ended June 30, 2012
Bond interest	\$ 1,521,500	\$ 1,554,413
Amortized bond premium	(31,339)	(36,627)
Credit line interest	39,370	62,815
Short term note	<u>377</u>	<u>1,261</u>
Totals	<u>\$ 1,529,908</u>	<u>\$ 1,581,862</u>

Note 21. RELATED PARTY TRANSACTIONS:

Legal and consulting fees paid to members of the Corporation's Board of Directors amounted to approximately \$366 and \$554 for the year end June 30, 2013 and June 30, 2012 respectively.

CALIFORNIA-NEVADA METHODIST HOMES

SUPPLEMENTAL INFORMATION

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2013

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	\$ 3,432,001	\$ 7,709,141	\$ -	\$ 11,141,142
Patient fees:				
Medicare	1,345,066	329,378	-	1,674,444
Private	1,052,643	626,602	-	1,679,245
Amortization of entrance subscriptions	1,451,329	1,610,220	-	3,061,549
Interest and dividend income	51,313	77,588	257	129,158
Rental income	34,004	-	-	34,004
Gifts, bequests and grants, net	3,281	46,629	-	49,910
Unrealized gains (losses) on investments	-	-	(25,436)	(25,436)
Realized gains on investments	-	-	65,012	65,012
Realized gains (losses) on disposal of assets	-	-	1,400	1,400
Miscellaneous	289,097	141,854	-	430,951
Net assets released from restrictions	-	9,490	-	9,490
	<u>7,658,734</u>	<u>10,550,902</u>	<u>41,233</u>	<u>18,250,869</u>
TOTAL REVENUE				
EXPENSES:				
Facility operations:				
Medical services	1,113,494	1,415,198	-	2,528,692
Food and food services	1,251,399	2,713,509	-	3,964,908
Marketing	579,435	577,773	-	1,157,208
Administration	917,249	1,077,841	379	1,995,469
Housekeeping	332,654	569,627	-	902,281
Utilities	304,786	549,535	7,041	861,362
Personal care	298,588	826,780	-	1,125,368
Maintenance and operations	337,180	609,294	7,115	953,589
Medical care	497,838	207,894	-	705,732
Laundry	29,524	4,217	-	33,741
Activities	187,651	319,709	-	507,360
Social services	-	45,286	-	45,286
Property taxes and insurance	87,778	166,783	7,184	261,745
	<u>5,937,576</u>	<u>9,083,446</u>	<u>21,719</u>	<u>15,042,741</u>
Total operating expenses before management and general allocation				
	5,937,576	9,083,446	21,719	15,042,741
Management and general allocation	373,989	598,500	1,949	974,438
Fundraising allocation	6,922	11,078	-	18,000
	<u>6,318,488</u>	<u>9,693,023</u>	<u>23,668</u>	<u>16,035,179</u>
Total operating expenses				

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2013

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	\$ 1,386,781	\$ 801,390	\$ 11,894	\$ 2,200,065
Amortization of bond issuance costs	93,033	8,088	-	101,121
Interest	1,391,540	140,465	(36)	1,531,969
Bad debts	13,599	13,442	-	27,041
Total other expenses	<u>2,884,953</u>	<u>963,385</u>	<u>11,858</u>	<u>3,860,196</u>
TOTAL EXPENSES	<u>9,203,441</u>	<u>10,656,408</u>	<u>35,526</u>	<u>19,895,375</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (1,544,707)</u>	<u>\$ (105,506)</u>	<u>\$ 5,707</u>	<u>\$ (1,644,506)</u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2012

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	\$ 3,419,516	\$ 7,788,100	\$ -	\$ 11,207,616
Patient fees:				
Medicare	1,475,554	407,903	-	1,883,457
Private	790,666	519,578	-	1,310,244
Amortization of entrance subscriptions	762,546	1,389,251	-	2,151,797
Interest and dividend income	96,083	118,095	(2,667)	211,511
Rental income	33,718	-	3,681	37,399
Gifts, bequests and grants, net	-	(2,558)	-	(2,558)
Unrealized gains (losses) on investments	-	-	(95,948)	(95,948)
Realized gains on investments	-	-	23,678	23,678
Realized gains (losses) on disposal of asset	-	-	(277,325)	(277,325)
Miscellaneous	22,543	61,150	11	83,704
Net assets released from restrictions	-	583,534	-	583,534
	<u>6,600,626</u>	<u>10,865,053</u>	<u>(348,570)</u>	<u>17,117,109</u>
TOTAL REVENUE				
EXPENSES:				
Facility operations:				
Medical services	1,117,859	1,487,235	-	2,605,094
Food and food services	1,159,853	2,659,544	-	3,819,397
Administration	1,028,217	1,249,567	328	2,278,112
Marketing	293,203	269,527	-	562,730
Housekeeping	320,550	562,168	-	882,718
Utilities	279,075	520,898	6,426	806,399
Personal care	304,757	768,007	-	1,072,764
Maintenance and operations	281,537	588,149	11,700	881,386
Medical care	520,409	280,202	-	800,611
Laundry	30,519	2,543	-	33,062
Activities	152,771	303,472	-	456,243
Social services	-	33,950	-	33,950
Property taxes and insurance	83,992	175,436	7,237	266,665
	<u>5,572,742</u>	<u>8,900,698</u>	<u>25,691</u>	<u>14,499,131</u>
Total operating expenses before management and general allocation				
	5,572,742	8,900,698	25,691	14,499,131
Management and general allocation	395,455	481,313	2,021	878,789
Fundraising allocation	8,898	10,829	-	19,727
	<u>\$ 5,977,094</u>	<u>\$ 9,392,840</u>	<u>\$ 27,712</u>	<u>\$ 15,397,647</u>
Total operating expenses				

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2012

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	\$ 1,395,932	\$ 791,096	\$ 11,669	\$ 2,198,697
Amortization of bond issuance costs	99,838	8,681	-	108,519
Interest	1,404,906	130,250	2	1,535,158
Bad debts	-	50,619	-	50,619
	<u>2,900,676</u>	<u>980,646</u>	<u>11,671</u>	<u>3,892,993</u>
Total other expenses				
	<u>2,900,676</u>	<u>980,646</u>	<u>11,671</u>	<u>3,892,993</u>
TOTAL EXPENSES	<u>8,877,770</u>	<u>10,373,486</u>	<u>39,383</u>	<u>19,290,640</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (2,277,144)</u>	<u>\$ 491,567</u>	<u>\$ (387,953)</u>	<u>\$ (2,173,531)</u>

See notes to financial statements.



Independent Auditors' Report

RECEIVED
NOV 01 2013

CONTINUING CARE
CONTRACTS BRANCH

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying continuing care contract report of California-Nevada Methodist Homes as of June 30, 2013 and the supplemental statement of cash flow - direct method for the year then ended. The continuing care contract report and supplemental statement are the responsibility of California-Nevada Methodist Homes' management. Our responsibility is to express an opinion on the continuing care contract report and supplemental statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the continuing care contract report and supplemental statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the continuing care contract report and supplemental statement. An audit of a continuing care contract report and supplemental statement also includes assessing conformity with the provisions of California Health and Safety Code Section 1792 in so far as it relates to accounting and reporting matters. We believe that our audit provides a reasonable basis for our opinion.

The continuing care contract report was prepared in conformity with the accounting practices prescribed by the California Department of Social Services pursuant to provisions of the California Health and Safety Code. This report is not intended to be a complete presentation of California-Nevada Methodist Homes' assets and liabilities on the basis of accounting described above.

In our opinion, such continuing care contract report and supplemental statement of cash flows present fairly, in all material respects, the continuing care contract requirements and cash flows of California-Nevada Methodist Homes as of and for the year ended June 30, 2013, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of California-Nevada Methodist Homes and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties.

Rina Accountancy Corporation

Certified Public Accountants

San Francisco, California
October 25, 2013

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	84.1
[2]	Number at end of fiscal year	85
[3]	Total Lines 1 and 2	169.1
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	84.55
All Residents		
[6]	Number at beginning of fiscal year	96.1
[7]	Number at end of fiscal year	95
[8]	Total Lines 6 and 7	191.1
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	95.55
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.88

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$9,203,441
[a] Depreciation	\$1,386,781
[b] Debt Service (Interest Only)	\$1,399,780
[2] Subtotal (add Line 1a and 1b)	\$2,786,561
[3] Subtract Line 2 from Line 1 and enter result.	\$6,416,880
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	88%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,678,150
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$5,678

PROVIDER California-Nevada Methodist Homes, Inc.
COMMUNI Forest Hill Manor

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	177.77
[2]	Number at end of fiscal year	172
[3]	Total Lines 1 and 2	349.77
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	174.885
All Residents		
[6]	Number at beginning of fiscal year	181.77
[7]	Number at end of fiscal year	178
[8]	Total Lines 6 and 7	359.77
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	179.885
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.97

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$10,656,408
[a] Depreciation	\$801,390
[b] Debt Service (Interest Only)	\$121,720
[2] Subtotal (add Line 1a and 1b)	\$923,110
[3] Subtract Line 2 from Line 1 and enter result.	\$9,733,298
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	97%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,462,756
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$9,463

PROVIDER California-Nevada Methodist Homes, Inc.
COMMUNI Lake Park Retirement Residence

FORM 5-1

TOTAL:

\$1,521,500

\$2,206,500

PROVIDER: California-Nevada Methodist Homes, Inc.

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
9					\$0
TOTAL:		\$0	\$0	0	\$0

*(Transfer this amount to
Form 5-3, Line 2)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: California-Nevada Methodist Homes, Inc.

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line	TOTAL
1	Total from Form 5-1 bottom of Column (e) \$2,206,500
2	Total from Form 5-2 bottom of Column (e) \$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: \$2,206,500

PROVIDER: California-Nevada Methodist Homes, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$9,203,441</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$1,399,780</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
c.	Depreciation	<u>\$1,386,781</u>	
d.	Amortization	<u>\$93,033</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,397,709</u>	
f.	Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$5,277,303</u>
4	Net Operating Expenses		<u>\$3,926,138</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$10,757</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$806,741</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.

COMMUNITY: Forest Hill Manor

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$10,656,408</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$121,720</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
c.	Depreciation	<u>\$801,390</u>	
d.	Amortization	<u>\$8,088</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$955,980</u>	
f.	Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$1,887,178</u>
4	Net Operating Expenses		<u>\$8,769,230</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$24,025</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$1,801,897</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.

COMMUNITY: Lake Park Retirement Residence

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: California-Nevada Methodist Homes, Inc.

Fiscal Year Ended: 6/30/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 6/30/2012 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,206,500</u>
[2] Operating Expense Reserve Amount	<u>\$2,608,637</u>
[3] Total Liquid Reserve Amount:	<u>\$4,815,137</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$1,229,337</u>	
[5] Investment Securities		<u>\$6,062,729</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve*	<u>\$2,197,315</u>	(not applicable)
[10] Other:		
*See Note 8 to the 6/30/2013		
<u>Financial Statements, Bond Reserve.</u>		
(describe qualifying asset)		
Total Amount of Qualifying Assets		
Listed for Reserve Obligation: [11]	<u>\$3,426,652</u> [12]	<u>\$6,062,729</u>
Reserve Obligation Amount: [13]	<u>\$2,206,500</u> [14]	<u>\$2,608,637</u>
Surplus/(Deficiency): [15]	<u>\$1,220,152</u> [16]	<u>\$3,454,092</u>

Signature: _____

(Authorized Representative)

Date: _____

President & CEO

(Title)

ANNUAL RESERVE & FUNDS DISCLOSURE H&SC

SECTION 1790 A (2) & (3)

Provider Name: California-Nevada Methodist Homes, Inc.
 Fiscal Year Ended: 6/30/2013

Unrestricted Cash & Cash Equivalents (Page 4)**\$1,229,377**

The Unrestricted funds are held in a bank account to fund operations.
 The first \$500,000 is held in a non-interest bearing checking account
 with the balance held in an investment sweep account.

Restricted Cash & Cash Equivalents (Page 4)**\$59,899**

The Restricted Funds are held in a bank account to facilitate checking
 account liquidity. The first \$50,000 is held in a non-interest bearing
 checking account with the balance being held in an investment sweep
 account.

As found in the Note 17 to the Financial Statements, 6/30/2013,
 California-Nevada Methodist Homes holds its restricted funds until the
 donor's restriction for use is met. The funds are available for the
 following purposes:

Service enhancement	\$37,739
Resident support	
Facility undesignated	\$11,125
Capital improvements	\$11,035
	<u>\$59,899</u>

Investments, at fair value (Page 4)**\$6,062,729**

As found in the Note 5 to the Financial Statements, 6/30/2013,
 California-Nevada Methodist Homes holds part of its reserves in
 investments as follows:

Corporate equities	\$696,707
Debt securities	\$1,131,358
Certificates of deposit	\$4,234,664
	<u>\$6,062,729</u>

Bond reserve funds (Page 4)**\$3,643,343**

Reconciles to Note 8, 2013 column.

Revenue Fund	\$761,028
Bond reserve	\$2,197,315
Principal	\$685,000
	<u>\$3,643,343</u>

ANNUAL PER CAPITA COSTS DISCLOSURE

SECTION 1790 A (2)

Provider Name: California-Nevada Methodist Homes, Inc.
Fiscal Year Ended: 6/30/2013

Forest Hill Manor

Total Operating Expenses, Form 5-4 (1), Line 1	<u>\$9,203,441</u>
Mean number of all residents, Form 1-1 (1), Line 10	<u>95.55</u>
Per Capita costs	<u><u>\$96,321</u></u>

Lake Park Retirement

Total Operating Expenses, Form 5-4 (2), Line 1	<u>\$10,656,408</u>
Mean number of all residents, Form 1-1 (2), Line 10	<u>179.885</u>
Per Capita costs	<u><u>\$59,240</u></u>

Explanation to reconcile Forms to Financial Statements..

Form 1-2 (1)

Forest Hill Manor: See Page 23 of the June 30, 2013 financial statements.

Total Operating Expense: Total Expenses, Forest Hill Manor column.

Depreciation: Depreciation, Forest Hill Manor column.

Debt service: Interest expense, reconciliation Form 5-1 below.

Form 1-2 (2)

Lake Park Retirement: See Page 23 of the June 30, 2013 financial statements.

Total Operating Expense: Total Expenses, Lake Park column.

Depreciation: Depreciation, Lake Park column.

Debt service: Interest expense, reconciliation Form 5-1 below.

Depreciation expense on Page 7, June 30, 2013 financial statements,

Total Expenses column \$2,221,809 ties to Statement of

Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation.

Form 5-1

See Note 13. Maturity dates for each of the bond issues below are as of July 1 of each year shown. The portion of the bond interest was expensed in the amount of \$1,521,500 and is allocated on Form 5-1 according to the bonds listed below:

Maturity Date	Interest Rate	Face Amount	Interest Paid (FHM)	Interest Paid (LP)
2013	5.00%	\$685,000	\$31,510	\$2,740
2014	5.00%	\$720,000	\$33,120	\$2,880
2015	5.00%	\$755,000	\$34,730	\$3,020
2016	5.00%	\$790,000	\$36,340	\$3,160
2026	5.00%	\$10,455,000	\$480,930	\$41,820
2036	5.00%	\$17,025,000	\$783,150	\$68,100
Total Interest Paid:			<u>\$1,399,780</u>	<u>\$121,720</u>

Interest Expense on Page 7, Total Expenses column, Total Interest Expense, \$ 1,529,908 ties to SCF-DM, Page 1 after subtracting amortization of bond premium in the amount of \$31,339.

(SCF-DM, Payments of Interest \$1,561,247 - \$31,339 = \$1,529,908)

The schedule below is derived from Note 20, which provides a breakdown of Interest Expense in support of the \$1,521,500 in Bond Interest Expense.

Forest Hill Bond Interest expense	\$1,399,780
Lake Park Bond Interest expense	\$121,720
Total amortized Bond Premium	-\$31,339
Total allocated Credit Line Interest	\$39,370
Total allocated short term note Interest	\$377
Interest Expense line on Page 6, Total column of Program Services.	<u>\$1,529,908</u>

Form 5-4 (1)

Forest Hill Manor: See Page 23 of the June 30, 2013 financial statements.

Total Operating Expense: Total Expenses, Forest Hill Manor column.

Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Forest Hill column, Interest.

Depreciation: Depreciation, Forest Hill Manor column = \$1,386,781

Amortization: Amortization of Bond Issuance Costs, Forest Hill Manor column = \$93,033.

Form 5-4 (2)

Lake Park: See Page 23 of the June 30, 2013 financial statements.

Total Operating Expense: Total Expenses, Lake Park column.

Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Lake Park column, Interest.

Depreciation: Depreciation, Lake Park column = \$801,390.

Amortization: Amortization of Bond Issuance Costs, Lake Park column = \$8,088.

Total depreciation expense on Page 7, \$2,221,808 ties to Statement of Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation

Total Amortization of Bond Issuance costs on Page 7, \$101,121 ties to Statement of Cash Flows - Direct Method (SCF-DM), Page 2, Amortization of Bond Issuance Costs

**Continuing Care Retirement Community
Disclosure Statement
General Information**

0/1/2013
RECEIVED
NOV 01 2013

FACILITY NAME: Forest Hill
 ADDRESS: 551 Gibson Avenue, Pacific Grove, CA ZIP CODE: 93950 PHONE: 831-657-5200
 PROVIDER NAME: California Nevada Methodist FACILITY OPERATOR: California Nevada Methodist
 RELATED FACILITIES: Lake Park RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1954 NO. OF ACRES: 2.4 MULTI-STORY: ☒ SINGLE STORY: ☐ BOTH: ☐
 MILES TO SHOPPING CTR: 1/4 mile MILES TO HOSPITAL: 6 miles

NUMBER OF UNITS:

INDEPENDENT LIVING

HEALTH CARE

APARTMENTS - STUDIO 17
 APARTMENTS - 1 BDRM 39 (4 Junior)
 APARTMENTS - 2 BDRM 27
 COTTAGES 8
 OCCUPANCY AT YEAR END 70%

ASSISTED LIVING 18
 SKILLED NURSING 26
 SPECIAL CARE _____
 DESCRIBE SPECIAL CARE: _____

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ☐ ACCREDITED: ☒ Y ☒ N BY: CCAC

FORM OF CONTRACT: ☐ LIFE CARE ☒ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☒ 90% ☐ 75% ☐ 50% ☒ PRORATED TO 0% ☐ OTHER: _____

RANGE OF ENTRANCE FEES: \$ 75,338 TO \$ 430,000 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☒ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: N/A

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	<u>1 x wk</u>	_____
NUMBER OF MEALS/DAY	<u>1 or 3</u>	_____
SPECIAL DIETS AVAILABLE	_____	_____
24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: California Nevada Methodist

CCRCs	LOCATION (City, State)	PHONE (with area code)
Forest Hill	Pacific Grove, CA	831-657-5200
Lake Park	Oakland, CA	510-835-5511
MULTI-LEVEL RETIREMENT COMMUNITIES		
FREE-STANDING SKILLED NURSING		
SUBSIDIZED SENIOR HOUSING		

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: California Nevada Methodist - Forest Hill

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$12,653,112	\$13,510,000	\$14,965,312	\$15,187,920
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	\$13,915,516	\$14,407,947	\$15,377,095	\$16,042,538
NET INCOME FROM OPERATIONS	<u>-\$1,262,404</u>	<u>-\$897,945</u>	<u>-\$411,783</u>	<u>-\$854,618</u>
LESS INTEREST EXPENSE	\$1,741,260	\$1,669,219	\$1,581,862	\$1,529,908
PLUS CONTRIBUTIONS	<u>-\$682,627</u>	<u>\$208,809</u>	<u>\$583,534</u>	<u>\$9,490</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>-\$3,686,291</u>	<u>-\$2,358,355</u>	<u>-\$1,410,111</u>	<u>-\$2,375,036</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>\$8,738,068</u>	<u>\$4,704,605</u>	<u>\$3,524,611</u>	<u>\$6,060,418</u>

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	\$30,716,375	5.00	05/06/06	05/01/36	276 months

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO	43.67%	47.56%	48.24%	47.07%
OPERATING RATIO	97.57%	127.73%	113.64%	116.25%
DEBT SERVICE COVERAGE RATIO	2.04	2.22*	1.58	2.35
DAYS CASH-ON-HAND RATIO	297	172.32	127.28	151.70

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2010	%	2011	%	2012	%	2013
STUDIO	\$2,060	3.9%	\$2,141	3.9%	\$2,224	3.7%	\$2,305
ONE BEDROOM	\$2,938	3.9%	\$3,054	3.9%	\$3,173	3.7%	\$3,289
TWO BEDROOM	\$3,385	3.9%	\$3,518	3.9%	\$3,655	3.7%	\$3,788
COTTAGE/HOUSE	\$3,321	3.9%	\$3,451	3.9%	\$3,625	3.7%	\$3,577
ASSISTED LIVING	\$5,779	0.0%	\$5,779	0.0%	\$5,779	3.7%	\$5,910
SKILLED NURSING	\$9,885	0.0%	\$9,885	0.0%	\$9,885	3.7%	\$10,238
SPECIAL CARE		0.0%		0.0%		0.0%	

COMMENTS FROM PROVIDER: * Debt Service coverage Ratio is calculated without including balloon payment of \$3.75 million in FY 2011.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ - \text{Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ - \text{Amortization of Deferred Revenue} \\ + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ + \text{Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

**Continuing Care Retirement Community
Disclosure Statement
General Information**

10/31/2013
RECEIVED
NOV 01 2013

FACILITY NAME: Lake Park
 ADDRESS: 1850 Alice Street, Oakland, CA ZIP CODE: 94612 PHONE: 510-835-1500
 PROVIDER NAME: California Nevada Methodist FACILITY OPERATOR: California Nevada Methodist
 RELATED FACILITIES: Forest Hill RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1965 NO. OF ACRES: 2+ MULTI-STORY: ☒ SINGLE STORY: ☐ BOTH: ☐
 MILES TO SHOPPING CTR: 1/4 mile MILES TO HOSPITAL: 3 miles

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE	
APARTMENTS – STUDIO	<u>20</u>	ASSISTED LIVING	<u>35</u>
APARTMENTS – ALCOVE	<u>28</u>	SKILLED NURSING	<u>35</u>
APARTMENTS – 1 BDRM	<u>80 (3 Junior)</u>	SPECIAL CARE	
APARTMENTS – 2 BDRM	<u>28</u>	DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	<u>81%</u>		

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ☒ ACCREDITED: ☒ Y ☐ N BY: CCAC

FORM OF CONTRACT: ☐ LIFE CARE ☒ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☒ 90% ☐ 75% ☐ 50% ☒ PRORATED TO 0% ☐ OTHER: _____

RANGE OF ENTRANCE FEES: \$ 35,881 TO \$ 278,519 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☒ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: N/A

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>1x wk</u>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>2 or 3</u>	
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE		
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: California Nevada Methodist[illegible]

MULTI-LEVEL RETIREMENT COMMUNITIES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	52
--	---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	----

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: California Nevada Methodist - Lake Park

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$12,653,112	\$13,510,000	\$14,965,312	\$15,187,920
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	\$13,915,516	\$14,407,947	\$15,377,095	\$16,042,538
NET INCOME FROM OPERATIONS	-\$1,262,404	-\$897,945	-\$411,783	-\$854,618
LESS INTEREST EXPENSE	\$1,741,260	\$1,669,219	\$1,581,862	\$1,529,908
PLUS CONTRIBUTIONS	-\$682,627	\$208,809	\$583,534	\$9,490
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-\$3,686,291	-\$2,358,355	-\$1,410,111	-\$2,375,036
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$8,738,068	\$4,704,605	\$3,524,611	\$6,060,418

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	\$30,716,375	5.00	05/06/06	05/01/36	276 months

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO	43.67%	47.56%	48.24%	47.07%
OPERATING RATIO	97.57%	127.73%	113.64%	116.25%
DEBT SERVICE COVERAGE RATIO	2.04	2.22*	1.58	2.35
DAYS CASH-ON-HAND RATIO	297	172.32	127.28	151.70

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2010	%	2011	%	2012	%	2013
STUDIO	\$2,056	3.9%	\$2,137	3.9%	\$2,220	3.7%	\$2,301
ONE BEDROOM	\$2,880	3.9%	\$2,993	3.9%	\$3,110	3.7%	\$3,223
TWO BEDROOM	\$3,685	3.9%	\$3,830	3.9%	\$3,979	3.7%	\$4,124
COTTAGE/HOUSE		0.0%		0.0%		0.0%	
ASSISTED LIVING	\$6,521	0.0%	\$6,521	0.0%	\$6,521	3.7%	\$6,660
SKILLED NURSING	\$7,495	0.0%	\$7,495	0.0%	\$7,495	3.7%	\$7,650
SPECIAL CARE		0.0%		0.0%		0.0%	

COMMENTS FROM PROVIDER: * Debt Service coverage Ratio is calculated without including balloon payment of \$3.75 million in FY 2011.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \\ \hline \text{Total Operating Revenues} \\ - \text{Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ - \text{Amortization of Deferred Revenue} \\ + \text{Net Proceeds from Entrance Fees} \\ \hline \text{Annual Debt Service} \end{array}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ + \text{Unrestricted Non-Current Cash} \\ \text{and Investments} \\ \hline (\text{Operating Expenses} - \text{Depreciation} \\ - \text{Amortization})/365 \end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF CASH FLOWS - DIRECT METHOD SUPPLEMENTAL INFORMATION CONTINUING CARE CONTRACT ANNUAL REPORT

YEAR ENDED JUNE 30, 2013

CASH PROVIDED BY OPERATING ACTIVITIES

Gifts, bequests and grants received	\$ 80,724
Resident fees	11,141,142
Patient fees	3,410,997
Entrance subscriptions and deposits	5,669,071
Interest income	125,689
Rents	34,004
Miscellaneous	703,268
Payments to employees and suppliers	(16,292,906)
Payments for interest	<u>(1,561,247)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 3,310,742

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(1,056,681)
Proceeds from the sale of investments	899,739
Decrease in bond reserve funds	(7,657)
Purchase of investments	<u>(3,407,340)</u>

NET CASH USED BY INVESTING ACTIVITIES (3,571,939)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long term debt	(825,000)
Net proceeds from line of credit	<u>(416,667)</u>

NET CASH USED BY FINANCING ACTIVITIES (1,241,667)

NET INCREASE IN CASH AND CASH EQUIVALENTS (1,502,864)

CASH AND CASH EQUIVALENTS, beginning of year 2,436,843

CASH AND CASH EQUIVALENTS, end of year \$ 933,979

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF CASH FLOWS - DIRECT METHOD
SUPPLEMENTAL INFORMATION
CONTINUING CARE CONTRACT ANNUAL REPORTYEAR ENDED JUNE 30, 2013RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Change in net assets		\$ (1,640,624)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,221,809	
Amortization of bond issuance costs	101,121	
Amortization of bond premium	(31,339)	
Amortization of entrance subscriptions	(3,061,549)	
Entrance subscriptions received	5,715,071	
Realized gain on sale of investments	(65,012)	
Realized gain on sale of property and equipment	(1,400)	
Unrealized gain on investments	25,436	
Change in present value of charitable remainder trust	2,000	
Decrease (increase) in:		
Accounts and notes receivable - trade	57,308	
Other receivables	272,317	
Accrued interest receivable	(3,469)	
Prepaid expenses	(12,870)	
Increase (decrease) in:		
Accounts payable	(36,335)	
Other payable	88,672	
Accrued liabilities	173,976	
Deferred compensation	(108,516)	
Entrance deposits	(46,000)	5,306,662
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 3,666,038</u>

Explanation for the increase in monthly fees for the year 2012 - 2013

Before Monthly Fee Increase

- Total revenues forecasted to be \$16,848,761.
- Total expenses forecasted to be \$20,378,694.
- Total operating revenue w/out amortization/contribution income projected to be \$14,378,597.
- Total cash expenses (excluding depreciation, amortization, & amortized interest expense) were forecasted to be \$17,986,478, a net increase in cash expenses of \$1,070,127 over the prior year's comparable projected expenses.

Primary changes in expenses were as follows:

- We increased the budgeted Marketing expenditures to \$650,000, up from \$450,000 the prior year.
- Employer's contribution to employee health insurance increased by 8% again.
- Utilities were budgeted to increase by 4% over the prior year.
- Purchased services and supplies budgets were increased between 3 & 4% over the prior year due to a small inflation factor and in anticipation of performing some discretionary refurbishment projects.

Rationale to adjust fees:

- Monthly fee revenue was forecasted to be \$11,365,928 without an increase.
- Occupancy levels for the past year were lower than anticipated, with the new budget accounting for a modest overall increase in census.
- An operating ratio of 121.56% was indicated without an increase.
- A monthly fee increase of 4.50% for Life Care contracts and 3.65% for Continuing Care contracts was approved by the Board of Directors, yielding a projected revenue increase of \$474,593 and an operating ratio of 117.47%.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,305 - \$5,338</u>	<u></u>	<u></u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.65% - 4.50%</u>	<u></u>	<u></u>

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 07/01/12
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: California Nevada Methodist Homes, Inc.
COMMUNITY: Forest Hill Manor Residence

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,301 - \$5,726</u>	<u></u>	<u></u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.65% - 4.50%</u>	<u></u>	<u></u>

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 07/01/12
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: California Nevada Methodist Homes, Inc.
COMMUNITY: Lake Park Retirement Residence

KEY INDICATORS REPORT

Date Prepared: 10/22/2013

[California-Nevada Methodist Homes, Inc.]

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Chief Executive Officer Signature

	Projected					Forecast			Preferred Trend Indicator	
	2009	2010	2011	2012	2013	2014	2015	2016		2017
OPERATIONAL STATISTICS										
1. Average Annual Occupancy by Site (%)										
Forest Hill Manor	63.00%	56.52%	62.00%	71.00%	69.60%	71.00%	73.00%	75.00%	77.00%	79.00%
Lake Park Retirement	90.00%	87.58%	82.00%	80.00%	81.00%	83.00%	85.00%	87.00%	89.00%	91.00%
MARGIN (PROFITABILITY) INDICATORS										
2. Net Operating Margin (%)	-19.04%	-23.18%	-13.98%	-5.54%	-7.06%	-8.22%	-5.38%	-2.59%	0.15%	2.85%
3. Net Operating Margin - Adjusted (%)	31.43%	6.77%	18.00%	15.07%	23.64%	18.52%	19.57%	20.32%	21.49%	22.85%
LIQUIDITY INDICATORS										
4. Unrestricted Cash and Investments (\$000)	\$9,379	\$7,389	\$4,632	\$5,896	\$7,292	\$8,087	\$9,408	\$11,098	\$13,337	\$16,277
5. Days Cash on Hand (Unrestricted)	271.98	172.32	104.93	127.28	151.7	162.34	182.95	208.5	242.1	285.46
CAPITAL STRUCTURE INDICATORS										
6. Deferred Revenue from Entrance Fees (\$000)	\$24,763	\$25,990	\$28,112	\$29,485	\$32,139	\$35,724	\$43,070	\$46,005	\$48,846	\$51,648
7. Net Annual E/F proceeds (\$000)	\$7,983	\$3,628	\$4,929	\$3,525	\$6,014	\$5,050	\$5,100	\$5,050	\$5,100	\$5,200
8. Unrestricted Net Assets (\$000)	\$7,949	\$4,875	\$2,406	\$233	-\$1,412	-\$3,089	-\$8,431	-\$12,494	-\$14,458	-\$13,400
9. Annual Capital Asset Expenditure (\$000)	\$9,340	\$5,562	\$1,092	\$713	\$1,057	\$1,050	\$1,100	\$1,200	\$1,300	\$1,400
10. Annual Debt Service Coverage Revenue Basis (x)	-2.40	-0.83	-0.75	0.01	-0.36	-0.47	-0.26	-0.02	0.25	0.57
11. Annual Debt Service Coverage (x)	9.98	1.26	2.2	1.58	2.35	1.78	2.06	2.27	2.56	2.93
12. Annual Debt Service/Revenue (%)	4.74%	-0.83%	10.59%	12.77%	12.12%	12.35%	13.34%	10.97%	10.22%	9.52%
13. Average Annual Effective Interest Rate (%)	4.85%	4.85%	4.85%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	23.11%	20.54%	14.39%	18.68%	23.74%	26.96%	32.17%	39.01%	48.29%	60.86%
15. Average Age of Facility (years)	12.27	9.63	10.46	11.55	12.56	13.64	14.24	14.81	15.35	15.86

NOV 01 2013

CONTINUING CARE
CONTRACTS BRANCH